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REAPPOINTMENT OF FOWLER C. WEST AND NOMINATION OF WILLIAM W. ERWIN

HEARING BEFORE THE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE ONE HUNDREDTH CONGRESS

SECOND SESSION

ON

THE REAPPOINTMENT OF FOWLER C. WEST, OF TEXAS, TO BE A COMMISSIONER OF THE COMMODITY FUTURES TRADING COMMISSION, AND THE NOMINATION OF WILLIAM W. ERWIN, OF INDIANA, TO BE A MEMBER OF THE BOARD OF DIRECTORS OF THE FARM CREDIT SYSTEM ASSISTANCE BOARD

JUNE 7, 1988

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TURES TRADING COMMISSION, AND THE NOM-
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MEMBER OF THE BOARD OF DIRECTORS OF
THE FARM CREDIT SYSTEMS ASSISTANCE
BOARD**

TUESDAY, JUNE 7, 1988

**U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
*Washington, DC.***

The committee met, pursuant to notice, at 10:20 a.m., in room SR-332, Russell Senate Office Building, Hon. Patrick J. Leahy (chairman of the committee) presiding.

Present or submitting a statement: Senators Leahy, Boren, Harkin, Daschle, Lugar, Bond, and Karnes.

Also present: Senator Gramm and Representative Leath.

**STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM
VERMONT**

The CHAIRMAN\ The committee will come to order.

I apologize for the delay. As I explained to the distinguished ranking member, a matter came up that was supposed to have been completed almost an hour ago and was not. It created a situation which delayed me.

I know Mr. West is here, along with Senator Gramm and Congressman Leath and I wonder if the three of you gentlemen would just come on over, or wherever you would be the most comfortable.

I should also note that the distinguished Senator from Texas, Senator Bentsen, who is tied up with matters in his capacity as Chairman of the Senate Finance Committee, wanted to be here. He has a prepared statement which will be made part of the record, a strong and very positive statement on behalf of Mr. West, in which he states that he joins with Senator Gramm and Congressman Leath in supporting him.

[The prepared statements of Senators Leahy, Harkin, Karnes, and Bentsen follow:]

PREPARED STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM VERMONT

NOMINATION HEARING, JUNE 7, 1988

This morning we meet to consider the nominations of Mr. Fowler C. West as Commissioner of the Commodity Futures Trading Commission and Mr. William W. Erwin as a Member of the Farm Credit System Assistance Board. I welcome both Mr. West and Mr. Erwin to the Committee.

This hearing occurs at an important time for both the Commodity Futures Trading Commission and the Farm Credit System Assistance Board. The scrutiny of the CFTC since the October stock market break has been unprecedented in the 14-year history of the Commission. At the same time, the Farm Credit System Assistance Board, established only in January, has already begun to make important decisions that will shape the future of the Farm Credit System.

The interaction of the futures markets and the CFTC with the stock market and the SEC has been the subject of volumes of studies during the past eight months. Last month, the President's Working Group on Financial Markets released their report. Earlier we saw reports from the Brady Commission, the Securities and Exchange Commission, the CFTC, the General Accounting Office, and the various exchanges. Each of these reports made recommendations for improving the functions of our financial system.

This has been a challenging time for all the Commissioners of the CFTC. I have a number of questions for you, Mr. West, regarding the recommendations of these various reports as well as other areas of controversy facing the Commission.

In developing the Farm Credit Legislation last year, Congress wanted to insure that safeguards were established within the Farm Credit System to protect the taxpayers' potential risk and that borrowers rights were protected. To accomplish this end, Congress established the Farm Credit System Assistance Board made up of the Secretaries of Treasury and Agriculture and a farmer or rancher.

The Assistance Board has had a quick start. Since January it has hired staff, retired frozen borrower stock, provided for assistance to the Jackson and Louisville Federal Land Banks and requested that the Jackson Federal Land Bank be placed in receivership.

However, one thing has been painfully slow about the Assistance Board. It was over four months after the enactment of the law before the Administration nominated a farmer to the Board.

I must say that I am disappointed in the Administration for waiting so long. Many important decisions have been made by the Assistance Board without the benefit of a farmer member. I felt, when we enacted the Farm Credit Legislation, that the farmer member of the Board would assure that the interests of farmers, who depend on the Farm Credit System, would be heard. I have asked the Committee to move expeditiously on this nomination—much quicker than we normally do—to assure that we will have a farmer on the Board as soon as possible.

No doubt, the interests of the taxpayers were represented well by the Secretaries of the Treasury and Agriculture in the recent decisions by the Assistance Board. However, without a farmer member, I can only hope that farmer-borrowers' interests have been given equal consideration.

Mr. Erwin, you will also face a challenging position. There remain a number of important decisions for the Assistance Board regarding financial assistance packages for some of the largest institutions in the System. The vital role of the Assistance Board in monitoring loan restructuring for troubled farmers also needs to be more clearly defined.

PREPARED STATEMENT OF HON. TOM HARKIN, A U.S. SENATOR FROM IOWA

HEARING ON THE NOMINATION OF WILLIAM W. ERWIN TO THE FARM CREDIT ASSISTANCE BOARD, JUNE 7, 1988

I am pleased that action is now being taken to fill this position on the Farm Credit Assistance Board so that the important work of the Board may proceed. The Assistance Board and its powers are an integral part of the statutory scheme that was carefully worked out on a bipartisan basis in the Agricultural Credit Act of 1987.

The Assistance Board clearly has its work cut out for it. Several Farm Credit System institutions are in grave financial condition. The Assistance Board has a crucial role to play in bringing these institutions back to financial health. I believe that the Board must take a vigorous approach to implementing the provisions of the

Act, including those provisions that mandate involvement by the Assistance Board with respect to institutions that have not applied for assistance.

By playing an active role the Board can help to restore the Farm Credit System as a strong, reliable, and competitive source of credit for agriculture.

PREPARED STATEMENT OF HON. DAVID K. KARNES, A U.S. SENATOR FROM NEBRASKA

HEARING BEFORE THE SENATE COMMITTEE ON AGRICULTURE, FORESTRY, AND NUTRITION
ON THE NOMINATION OF WILLIAM W. ERWIN TO BE A MEMBER OF THE FARM CREDIT
SYSTEM ASSISTANCE BOARD, JUNE 7, 1988

Mr. Chairman, I want my colleagues on the Committee to know of my support for President Reagan's nomination of William W. Erwin to be the third member of the Farm Credit System Assistance Board. I believe that the President's nomination of Mr. Erwin to be a member of the Assistance Board is an excellent one.

Mr. Erwin has a first-hand familiarity with agriculture as the result of his ownership and participation in a farming operation in Indiana. He has served as Deputy Under Secretary of the U.S. Department of Agriculture and as a special advisor to the administrator of the U.S. Environmental Protection Agency. He is a graduate of the University of Illinois and has written articles on agriculture giving the farmers perspective on various issues. In short, Mr. Erwin has good working knowledge in farming.

Mr. Erwin, when confirmed by the Senate, will bring an important perspective to the Assistance Board, which is one of the most important new entities created under the Agricultural Credit Act of 1987. As we know, the other members of the Board are the Secretary of Agriculture and the Secretary of the Treasury. The Assistance Board has an immense impact on the way in which that historic legislation is implemented. Areas within the Board's responsibilities include decisions on financial assistance to problem FCS institutions, the implementation of reforms of FCS operations, and the oversight of loan restructuring by FCS districts that receive assistance.

The Act provides that the third member of the Assistance Board is to be a farmer. The purpose of this requirement is obvious. It assures that the important decisions of the Board will have the input of a farmer or rancher who understands the implications and impact of actions that will follow those policy decisions. From a review of his background and my personal meetings with him, I believe that Will Erwin has the kind of business experience that we were hoping for when we put this requirement in the Act.

A first-hand knowledge of the situation out there is what is needed in this process of implementing the assistance provisions of the Act. As we know, there has been considerable discussion of the potential need for financial assistance by the Omaha FCS Bank. I have kept in touch with events as they have developed. Last week I met with Jim Kirk, President of the Omaha Banks and discussed a number of issues, including the need for assistance. I have heard directly on the issue from a number of the farmers and the ranchers who serve as directors of the Omaha district-wide production credit association. In addition, I have been in touch with Eric Thor, Chief Executive Officer of the Assistance Board.

I have also sought input from farmers and ranchers in my State. They know the consequences if it is decided that the Omaha Banks need assistance. But Nebraska farmers and ranchers have not told me that they want to take on more debt burdens. A decision on the need by the Omaha FCS Banks for assistance must be reached prudently.

A large part of the costs of assistance will fall squarely on those farmers who have been paying their bills right along, and are now starting to see something of an upturn with improved commodity and land prices. The burden of repaying the assistance will eventually fall on our young farmers who are struggling to stay or start in farming or ranching.

I believe that the situation in Omaha is under control at the present time. The Assistance Board states that it has the information it needs to deal with the issues, and that its level of oversight is adequate at his point to keep the situation in hand. The management of the banks and the chief executive officer of the Assistance Board seem to be communicating and cooperating. Loan restructurings are generally proceeding as we intended. The merger of the Federal Land Bank and the Federal Intermediate Credit Bank will take place in early July, as required under the Act, with a guarantee of the full par value of farmer-held stock in place after the

merger. An evaluation of the merged bank's need for assistance will then be completed, taking the merger into account.

We hear a great deal about the need for local input to, and local control of the FCS by farmers and ranchers. I believe because the Assistance Board has stated that it is satisfied that the situation in Omaha is under control, the management and board of the Omaha banks deserve the chance to work with the Assistance Board to fashion a solution to the problems that they face. I suggest that the farmers and ranchers who serve as district bank directors and as directors of the Omaha district-wide PCA are in a position to decide what is best for the Federal Intermediate Credit Bank and the PCA. They hear from the farmers out there who will have to pay the bill for assistance. I believe in local control. Let's give management and the directors of the Omaha Banks the chance to prove themselves.

The Omaha Banks and the Assistance Board are attempting to fashion a solution that is in the short and long term interest of farmers in the district. If the district and the Assistance Board decide that assistance is in fact needed, the mechanism we put into place will be available to provide assistance to the Omaha banks.

One of the important factors that must go into all of these assistance decisions is input at the Assistance Board level by a farmer who has the knowledge, experience and insight to do what makes the most practical sense for farmers and ranchers. I believe that the Assistance Board will be benefit substantially from having Will Erwin as a member.

In summary, Mr. Chairman, I urge the Committee to act favorably today on the nomination of Will Erwin to be a member of the FCS Assistance Board and to report this nomination with a favorable recommendation for confirmation by the Senate.

Thank you Mr. Chairman.

PREPARED STATEMENT OF HON. LLOYD BENTSEN, A U.S. SENATOR FROM TEXAS

Mr. Chairman, I am pleased to join my distinguished colleagues in the Texas Congressional delegation in supporting the nomination of Mr. Fowler West of Texas to a second term on the Commodity Futures Trading Commission.

Fowler West is well into his second career in government service. After graduating from Baylor University in 1963 he joined the staff of the honorable W.R. "Bob" Poage, who was long known among the Texas Congressional delegation as "Mr. Agriculture". He then moved to the staff of the House Agriculture Committee, where he served as staff director from 1973 to 1982. In 1982 he was nominated by President Reagan and confirmed by the Senate to serve on the Commodity Futures Trading Commission. I am pleased that President Reagan has recognized his good work on the CFTC by nominating him to a second term of office.

The events of last fall have shown the possibility for instability in our financial markets, a key part of which are regulated by the CFTC. Fowler West has extensive experience in agriculture, in the halls of Congress, and on the CFTC itself. I believe that his experience will serve this nation well on the CFTC, and I urge the approval of his nomination by this committee and by the Senate.

The CHAIRMAN. I yield to Senator Lugar.

Senator LUGAR. Mr. Chairman, I am looking forward to the testimony, but I too welcome our colleagues, Phil Gramm and Congressman Leath. It is good to see Fowler West again, with whom I have had a good association during his term on the CFTC, and I look forward to a continued good association.

The CHAIRMAN. I might say I have seen Senator Gramm come here for confirmation hearings for the CFTC. This is the second time he has, but the first time he has been at the table. I know you were here one other time.

Senator GRAMM. I had a passing interest.

The CHAIRMAN. I assume it was because of your overriding interest in the CFTC, and I am always delighted. We do not often get distinguished visitors here in the Senate Agriculture Committee because we are just folks of the soil here. You guys from the big States hardly ever get a chance to drop by, but I am so very happy.

Senator Gramm, you have been here twice now on CFTC confirmations and I am sure that shows your broad interests.

Senator GRAMM. Well, Mr. Chairman, we like to come by to visit our money every once in a while.

The CHAIRMAN. This committee tries to keep a little bit of it in circulation. We do the best we can.

Senator Bond.

Senator BOND. Thank you, Mr. Chairman. I am always delighted to hear the wise comments of our distinguished colleague from Texas, but I am hoping that perhaps Congressman Leath will sing us a few numbers, which will brighten up the day for us a good bit and make it one of the most enjoyable ag hearings we have had.

The CHAIRMAN. We can get the other sound system in, Marvin, if you want.

Mr. LEATH. I would have brought my guitar, if I had known the Chairman wanted me to.

Senator BOND. I will bring my bongo drums, if you would just let us know.

Our friends in Kansas City, who work with Mr. West have expressed to me a very strong and enthusiastic endorsement. They have indicated that he is dedicated, conscientious, very bright, particularly knowledgeable in agricultural matters. It is almost so good that I am suspicious of it.

Nevertheless, I accept their good judgment and I look forward to hearing from Mr. West in supporting his renomination.

The CHAIRMAN. Thank you.

Senator Gramm.

STATEMENT OF HON. PHIL GRAMM, A U.S. SENATOR FROM TEXAS

Senator GRAMM. Mr. Chairman, let me say I am happy to be here to join my dear friend, Marvin Leath, in introducing our constituent, Fowler West.

Fowler was born in Waco. He attended North Texas State University and graduated from Baylor University. The same year he graduated he came to Washington and went to work for Bob Poage who was then, and is now, a legend in our State. Fowler started off as a mail clerk and worked his way up to being Mr. Poage's administrative assistant.

He went from there to the House Agriculture Committee and in 1973 became staff director. I think it is an indication of Fowler's abilities that he served as staff director of the Ag Committee under three chairmen.

Fowler is what we call, in our part of the country, a good hand. He has good tools. He is smart. He understands his subject matter, and I am happy to be here to strongly recommend his reappointment. I think he has as great an in-depth knowledge of America's farm programs and the importance of the Commodity Futures Trading Commission to agriculture and to farmers as anyone who has ever served on that Commission.

I think his service on the Commission is vitally important to American agriculture, Mr. Chairman, and I strongly support his renomination.

The CHAIRMAN. Thank you. Congressman Leath.

STATEMENT OF HON. MARVIN LEATH, A REPRESENTATIVE IN CONGRESS FROM THE TWELFTH CONGRESSIONAL DISTRICT, STATE OF TEXAS

Mr. LEATH. Thank you, Mr. Chairman and members of the committee.

I think my friend Phil Gramm has stated it quite accurately. Fowler has been, in addition to a colleague, a personal friend of mine for some 20 years now, us having met in the late 1960's. In the early 1970's, I was a country banker in Falls County, Texas and Bob Poage called me one day and said you have been successful, why do you not give a little bit of public service, and conned me into taking a leave of absence from my very quiet life in the country in coming to Washington and working on his staff for 2 years.

Of course, during that period of time, I came to know Fowler in a very personal way.

As Phil Gramm has said, I do not know of anyone that we could put on this Commission that would have the broad spectrum of knowledge that Fowler has. He grew up, certainly under the man that I hold as one of the outstanding Members of the U.S. House of Representatives in this century, Bob Poage, who was Mr. Agriculture in this country for so many, many years, and his influence is still felt in this institution.

I think now not only does Fowler have an extensive pedigree that goes all the way back to what Senator Gramm said about his schooling, but his experience here on the Hill and of course, his first 5-year term just ending as a member of the Commission, I think is exemplary in every way, and I would certainly hope that the committee would give him a speedy confirmation.

Thank you.

The CHAIRMAN. Thank you very much.

Gentlemen, I know that both of you have a number of other things and we have kept you here longer than you had expected. I appreciate you both being here, Senator, Congressman.

Mr. West, would you please stand and raise your right hand?

Do you solemnly swear that the testimony you are about to give will be the truth, the whole truth and nothing but the truth, so help you God?

Mr. WEST. I do.

TESTIMONY OF FOWLER C. WEST, OF TEXAS, TO BE A COMMISSIONER OF THE COMMODITY FUTURES TRADING COMMISSION

[The prepared statement and background information of Mr. West can be found at the conclusion of the hearing.]

The CHAIRMAN. This hearing really occurs at an important time for the CFTC. The scrutiny of the CFTC since the October stock market break has been unprecedented in the 14-year history of the Commission. The interaction of the futures market and the CFTC with the stock market and the SEC has been the subject of volumes of studies during the past 8 months.

We had the President's Working Group on Financial Markets Report released last month. We saw the Brady Commission earlier,

the SEC, the CFTC, and the General Accounting Office. So it has been a very, very important time and as a result, we have a number of questions on these studies. The first are sort of boiler-plate questions for all nominees.

If you are confirmed by the Senate, will you faithfully execute the law as passed by Congress, regardless of any prior statement you have made or biases you may have held?

Mr. WEST. I will.

The CHAIRMAN. If your nomination is approved by the committee and the Senate, do you promise to respond to requests to appear and testify before this committee or any other duly constituted committee of the Senate?

Mr. WEST. I do.

The CHAIRMAN. The Brady Commission Report recommended a single regulatory agency, preferably the Federal Reserve Board, be placed over stocks, stock index futures, and stock options. Do you feel comfortable with the current system of interagency coordination to handle emergencies in the stock and stock index futures markets, or do you see a need for a single decisionmaker during a crisis?

Mr. WEST. Mr. Chairman, I am comfortable with the current situation, particularly with the progress that has been made in communication and coordination between the agencies. I feel that to add a super regulator, as such, with unusual powers, would in effect probably make the process even more complicated and in effect tamper with what I think was a carefully planned out system of independent agencies, each with their own jurisdiction.

I think, it is best left to the agencies. I do see progress in working out differences.

The CHAIRMAN. In the discussions of a single decisionmaker or a super regulator, whatever comes up in the context of a crisis situation, the October break, something like that, do you think that we are in good enough shape to handle another one like that?

Mr. WEST. I think that we are in good shape, particularly now that the New York Stock Exchange has established the so-called 50 point collar. I think that certainly is something that will help lessen the load on their automatic order system. I think now that work has proceeded in the circuit breaker that was agreed to by the Presidential task force, headed by the Treasury Department, is another step that would lessen the terrible impact of a 500 point drop in one day, or 700 point drop within a very few days.

I cannot say, though, that something like that will not happen, but I think the communication is in place, the interaction is in place. It can certainly be dealt with effectively at the present time.

The CHAIRMAN. The SEC split a vote, a 3 to 2 vote, proposed that responsibility for regulating stock index futures and their derivative products be transferred from the CFTC to the SEC. How do you feel about that?

Mr. WEST. I have great admiration for the SEC, Mr. Chairman. I understand their concerns and I would not say that the world would fall apart if they had their way in their area.

I do think, though, it would weaken our agency, and to tamper with the functional system of jurisdiction that we now have. I do

not know what would be the next step. For instance, there may be an effort to take over another part of our jurisdiction.

I think there is a serious question as to whether the SEC has existing expertise in the futures area. One answer to that, of course, would be simply to transfer people from our agency to their agency, but I remember once in a similar scheme, about merging certain agencies in the Department of Agriculture, my former boss, Bob Poage, said it would cost a half a million dollars just to change the signs. I do not know what is accomplished by that.

I think that the two dissenting members of the SEC were correct in that instance.

The CHAIRMAN. The Senate Banking Committee is considering legislation to create essentially one regulator for intermarket issues involving stock, stock index futures, and stock options. I circulated some draft legislation earlier this year in an effort to encourage more cooperation among the regulators involved in the stock and stock index futures area. Are you familiar with that legislation?

Mr. WEST. Yes, sir.

The CHAIRMAN. I would like to hear your comments regarding the enactment of such legislation, the possible impact it would have on the stock and stock index futures markets?

Mr. WEST. Do you want me to speak to your legislation first, Senator?

The CHAIRMAN. Yes.

Mr. WEST. First of all, I think you introduced that bill early on, long before the latest group made its report. I have to congratulate you on your foresight, because I think some of the things that were in your bill, such as the four members of the working group that made their report, have been established.

I believe that you have the Chairman of the Federal Reserve Board as chairman of your group. You ask for cooperation and you view this body, in the first instance, as advising the various agencies through regular meetings. You go a step further in giving strong powers to the chairman of that group, that could only be overturned after a short period of time with the concurrence of three members of the group.

I think that what we have right now, in the existing working group, is very much what you envisioned, because that group is meeting regularly. They are representing the same agencies. I feel certain that we will be getting regular advice from that group.

At this time, I think that that part of your bill actually has come to pass. I do not think, Senator, with all respect, that it is necessary to have the extraordinary powers in the chairman of that group that you envisioned when you introduced your bill. But I think your bill certainly goes a long way toward what I feel is a proper role of the existing group.

So far as Senator Proxmire's bill is concerned, I think that idea has been around, I know, since 1982 when it was proposed by former Chairman Shad of the SEC, to have a three person group with those three agencies, chaired by the Fed. He wanted to focus on having margin setting authority in that group.

There were some fears, back in those days, that two of the three could gang up and change the margin setting system at the Com-

modity Futures Trading Commission. That plan was presented to the Vice-Presidential Task Group on the Regulation of Financial Services back in 1982, but was rejected by that group.

So I feel that that type of scheme, in view of what has happened, is simply not needed at this time.

The CHAIRMAN. During the CFTC's 1986 reauthorization, you opposed a proposal, in fact a controversial proposal, by a majority of the CFTC, that trading in leverage contracts be limited to futures exchanges. In the end, as you know, Congress adopted your view point when we rejected the proposal.

Do you feel that the post-1986 experience with leverage contracts supports your position? In other words, in retrospect, would you take the same position today?

Mr. WEST. Senator, I came to the Commission having been at the House Agriculture Committee for some years, and having seen the Commission take no action at all, with regard to leverage. There were a large share of complaints that came from the leverage area.

Congress had, on a couple of occasions, urged the Commission to adopt strong regulations on leverage companies. I pushed, as best I could as a new member of the Commission, to get that done. Strong regulations were adopted. I felt, when we came up to the 1986 reauthorization, that the Commission should take a rather neutral position, pointing out that we do have strong rules in effect. My fear Senator, is if, in fact, leverage firms were phased out, they would simply find a way to alter their contracts to where they came under no one's jurisdiction in particular.

I felt that the best way to clean up whatever abuses were out there in the leverage industry was to have strong regulations in place.

I think perhaps to say that Congress adopted my view point may be an overstatement because Congress, I think, decided to get further information in asking for a survey to be made, to see who is interested in leverage. I think Congress has reserved a final decision on that for our next reauthorization.

Unfortunately there are only two leverage firms complying with our regulations. That is not a very good situation. It is not competitive and it simply is not worth all the time and effort that goes into administering these regulations.

There have been some reputable firms that have indicated an interest in leverage. The Congress will get an opportunity to carefully review the results of the survey, so I think the issue is not resolved.

I simply felt strongly that this is one area of off-exchange that was under strong regulations and I hated to see that upset.

The CHAIRMAN. Lastly, I see that you have recently received your law degree from Georgetown and I commend you on that. I know that most of that education must have created additional demands on your time. How did you work that out, with your duties as a Commissioner? Where did you find the time? I recall I had to spend a fair amount of time studying when I went to Georgetown.

I have been reminded, by Senator Bond, that some are faster than others.

Mr. WEST. Senator, I think it helped my attendance at the Commission because I did not go too many places. The trips that I took

were 1-day trips. I remember going out to Oregon one day and coming back that night. I took 1-day trips when I had an opportunity.

I worked it out by sometimes during my lunch hours going down to the library and studying a little bit. I had a big satchel of books with me and everyone saw me at 5 o'clock at the elevator, because the classes started at 5:45.

I did do a paper on arbitration. I took an arbitration seminar, but I chose to do the paper on the history of arbitration in the futures industry. We still use that paper at the Commission. I submitted a revised form of that paper to the Commission.

I did not use staff to do that work for me. I paid for the typing, et cetera. I did have to get some documents from the Commission, but not a great deal. I did the research myself. That was the only time that I felt that the two issues of school and work came closely together.

We now use that paper. The fact is that history of arbitration in the futures industry, which is now a committee document, is the basis for a pending rule change to try to strengthen NFA's arbitration. We have learned a lot about arbitration, I think, when we took a close look at it. It is a very important part of the Commission's jurisdiction, I feel.

The CHAIRMAN. Senator Lugar.

Senator LUGAR. Thank you, Mr. Chairman.

I just have two or three comments. These hearings offer an opportunity to catch up and the Chairman has done that very well, with regard to the questions on the leverage business.

I suppose I share your concern about that, as has been so expressed during these reviews of CFTC that have occurred from time to time. Certainly last time there was considerable sentiment in the committee, once again, for getting the CFTC out of this all together.

In fact, I think the reason we are still in it is at least a few members who had an interest in keeping alive the businesses that were in the leverage situation indicated very strongly how much they felt about it. Therefore, we continue on, as you say, with the two. It is not an efficient use for the CFTC in my judgment, and I suppose a case can be made, as you said, that people might go beyond the law or outside all surveillance. But, I am hopeful, as we come up to reauthorization again, that we all are mindful that this is one piece of unfinished business.

I do not come to question your judgment or to ask you for a commitment, just simply to share with you a common concern that I think we really have to keep surveillance on what is going on over there.

Likewise, although the Chairman has not gotten into this, I will do so. During the last reauthorization, most of the testimony that came from people with regard to the CFTC was concerning an admonition which may have been unneeded, to make certain that the overall ethics and the maintenance of the mechanics of the system were simply impeccable. It is obvious the futures business is a very important business for this country. It has grown abnormally.

The possibilities for things getting out of hand, for skulduggery or scandal or questions being raised, simply may increase exponen-

tially if there is not a very good sense of ethics on the part of those in the business, and I think there is. The vast majority of persons conducting that business are remarkable Americans in every respect. But likewise, there is a proper role for active oversight by the Commission and by this committee.

To the extent that any of this breaks down, I think there could be questions raised about the futures business, and there will be. This is particularly true when crises come along as in this year, that really has nothing to do with illegal activity. The market itself and economic conditions in the world prevailed and brought about these large adjustments.

I am confident, at least, as you and others conducted business at the CFTC, that there has been very careful scrutiny and bringing of cases quickly so that confidence has been maintained. The lack of publicity, in a way, is a blessing because it means that there is not a fire to put out almost every week. And the internal scrutiny of the industry itself, the self-regulation, which you having to make advocated and worked along with CFTC has been very important.

Finally, I would just say that having heard each of the various reports, starting with the Brady report, and likewise the report that came from the futures business itself, I am still uneasy about all this business, and I think that you indicate that you are, too, as to the adequacy of all of our mechanisms and the coordination of those.

I think I was initially persuaded by the Brady report and by visiting Nicholas Brady himself, that having somebody in charge is very important. He identified the Chairman of the Federal Reserve Board who quickly disidentified himself, and did not want to be nominated for that position.

Absent the Chairman of the Federal Reserve Board, maybe it ought to be the Secretary of the Treasury. Maybe it ought to be the Economic Counselor to the President, but I suppose I still see a problem here, in terms of command decisions when things are in crisis. When numerous agencies and exchanges are involved these things are very important to the confidence of the American people, and likewise the world, as they take a look at our situation.

For the moment, I appreciate everybody that is contributing, I think in good faith, from each of the various Commissions in open discussion and some thoughts on internal adjustments. In my own mind's eye, this question of really who is in charge and who would do what in the event of another crisis is not quite settled.

I just mention that, as a point of conversation in this hearing, without you having to make a comment, and I think correctly, about reforms and suggestions of CFTC, the way it should work at the SEC and the Federal Reserve Board and others. Certainly the CFTC has been fully cooperative.

My point is not to suggest anything else, but just to say that you are a part of a vast fabric of market decisions, not only in this country but in the world. Our country probably still needs to come to grips, in my judgment, with how confidence can be maintained and who, in the midst of crisis, makes decisions.

Do you have any further thought about that aspect of it? In other words, my reasoning follows Brady so far as to say if not the Chairman of the Federal Reserve Board, and they do not want to

get involved, what about the Secretary of the Treasury if not the President himself? It just occurred to me, as I looked at the events of October 19 and 20 that something was missing, in terms of the sorts of command decisions that needed to be made to bring some confidence and some knowledge into this thing?

Did you have similar feelings as you watched it from your vantage point?

Mr. WEST. Senator, I think that I personally have been reluctant to have any other agency supersede the authority of existing agencies. I do see, though, that the current working group, which is headed by the Treasury Department is, and apparently intends, to be on the job.

As a matter of fact, I understand that they are still meeting almost every week and are now taking up, on their agenda, such things as matters involving liquidity. They are going to be talking about the specialist system. I fully expect that that group will evolve into a group that is going to be very strong in its recommendations to each agency, and will be the focal point if, in fact, another crisis arises.

I also see that group as handling some very, very difficult problems we face in the future, beyond the immediate market problems, and I speak of off-exchange issues.

So I am personally confident that that group will be a strong group and will be the group that draws all the agencies together.

Senator LUGAR. Who chairs the working group, or what are the mechanics of that? How is that run?

Mr. WEST. Mr. Gould, in effect, Treasury chairs the working group, and the members are the Chairman of the Commodity Futures Trading Commission, Chairman of the Securities and Exchange Commission, and the Chairman of the Federal Reserve Board.

Senator LUGAR. If, in fact, a crisis were to occur today, that working group might very well meet, Chairman Gould might call them?

Mr. WEST. I would expect that that would happen.

Senator LUGAR. So this may begin to focus, at least, that authority. Clearly if Gould is calling the meeting, he could inform Secretary Baker, who could inform the President of the United States. There seems to be some centrality of reporting and knowledge at that point.

Mr. WEST. That is right, and better ways of instantaneous communication are being developed between the staffs, as well, of each agency. There are hotlines and that type of thing being established. I think it is going to be a very strong and forceful group.

Senator LUGAR. Thank you very much and thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Senator Boren.

Senator BOREN. Thank you, Mr. Chairman. I really have no questions. I think certainly Mr. West has performed very ably and I am in support of his nomination and am very familiar with his background. I have no further questions or comments at this time.

The CHAIRMAN. Thank you. Senator Bond.

Senator BOND. Thank you, Mr. Chairman.

I share the feelings expressed by Senator Lugar about the need perhaps to have someone who appears to have the authority of the administration behind him, acting in a situation such as that, and I have long felt that the Secretary of the Treasury, or in this case his designee Mr. Gould, should be heading up this group.

As I view it, it should not be in a position of superseding the regulatory authority of the agencies. But as we read accounts of what happened on October 19 and 20, one had the very real sensation that people were grabbing, jumping, running, scrambling, and not really knowing within what framework they should coordinate, cooperate. Somebody needs to be the first one to pick up the phone and call the people together.

I think that role is probably best done by someone as close to the Chief Executive as possible, and I think it has evolved into the Treasury. I think that is good.

Are there issues that have been raised by the Brady Commission or in the more recent working group report that you feel are most important? What areas would you see most needing attention right now, to deal with the October 19 and 20 problems?

Mr. WEST. Senator, I think that the idea of the circuit breaker—where the market drops 250 points, there is a cessation of trading for an hour, and if it drops an additional 150 points, another cessation of 2 hours, gives a degree of certainty. I think no one likes to see trading stop. But if we are faced with that, as compared to total chaos in official open markets, I certainly do endorse the idea of that type of circuit breaker which is rapidly being placed into effect.

The New York Stock Exchange, with the Chicago Mercantile Exchange's cooperation, now has the collar on the use of the automatic system, which was loaded down far more than capacity on October 19 and 20. There are now certain restrictions there. If the market rises or drops 50 points, then the use of that facility by arbitrageurs is stopped.

Senator BOND. Let me ask you a point about that. That gets the middle sized firms and cuts them out, but we hear stories that some of the major players, with enough manpower and womanpower in the field can have the pre-printed tickets and go in and do those things on the floor and that cutting off the DOT¹ merely transfers the action to the hands of the bigger players?

Mr. WEST. That is certainly a possibility that we have been thinking about at the Commission. I am sure that some of those who have announced publicly that they will no longer use that system may think they do not need it. I do not know that for a fact, but that is a very real possibility.

Cutting off the DOT system does not stop doing the orders manually. That could very well favor the larger firms. I do not know that for a fact, but that certainly could be something and is something that needs to be looked at.

Senator BOND. What do you think about the announcement of some of the major houses saying that they would stop doing index arbitrage or perhaps even programmed trading more generally for their own account. Is that significant? Is that show rather than substance? How would you evaluate it?

¹ Designated Order Turnaround System, known as SuperDot.

Mr. WEST. Senator, first of all, I certainly know that they have the right to do that. I know that there is an effort by many of the firms to restore confidence and bring customers back.

Just what effect that will have on program trading remains to be seen. I think that some of these firms have said that we will not do it ourselves but we will continue, of course, to do it for customers. I do not know what percentage of that type of business was proprietary and what was done for customers.

I do not know that close scrutiny has been given to that, but I certainly respect the right and the reasons behind some of the firms taking steps, I believe, to bring back customers and restore confidence in the market.

Senator BOND. Many of the smaller entities, some operating in our State, and the individual investors, generally feel that they cannot compete when there is programmed trading going on and when they see the futures market, the derivative market, is linked to the cash market. What can we tell them to restore confidence?

Mr. WEST. Well, I think that we can say that there has been a great deal of attention among the regulators in trying to work out problems and that sometimes it takes time. There was a massive drop on October 19, when the market fell 508 points, and then over a 6-day span it fell some 769 points.

I think it is going to take time and I suppose there is nothing wrong with their being cautious at this point. It is up to the market itself now, to get itself in order. Whatever we can do, as regulators, to assist that process, we have to do it.

Senator BOND. I saw a report given by one market analyst who runs a newsletter and he said here is a summary of what the regulators have learned from the October 19 and 20 stock market and futures market action. The page was blank.

Would you care to respond to that unnamed critic?

Mr. WEST. If that critic were speaking of whether we know how to predict market drops or rises, that blank page may be correct. I do think that we have learned a lot about the need for better communication and ways to better handle orders. We are learning ways and we are demanding ways to watch more carefully transactions involving stock index futures and baskets of stock.

We just passed a proposed rule change, or are right now in the process of passing a proposed rule change, to have our own exchanges add additional information so that we can more easily review stock index futures transactions. We can do it now, but this makes it stand out a bit more for our people who are constantly looking at the records.

I think that we are learning that cooperation is absolutely essential and that a plan must be in place for such catastrophes. We had a lot of sincere people on October 19 and 20, who were trying to do the right thing, but there was no real hard core plan set in place.

I do not think that will ever happen again.

Senator BOND. Mr. Chairman, if I may, one final question. I talked to a number of people who are active participants in the market and are quite familiar with it. One suggestion that has been made several times, and seems to me to make some sense, is that if you are talking about circuit breakers, if the market drops

250 points in one day, it would be suicidal to try to open it an hour later.

The argument being, number one, it is probably going to take you all night to straighten out the settlements and to get all the paper flow in order. The panic may come back redoubled if they try to open in an hour, and frankly many stocks—particularly on the cash markets—might not be able to open.

Finally, the human factor, that once you have experienced a 250 point drop, probably everybody needs a good night's sleep to get it done. And then assuming that we are able to get similar circuit breakers in place around the world, it would give an opportunity for Tokyo or London perhaps to enter a different kind of judgment.

Do you have a thought on saying if the circuit breaker is hit, everybody call it off, go home and start it off the next morning?

Mr. WEST. I think that if that 250 point level is reached and the market has closed, a careful look has to be taken at what is transpiring there. If the New York Stock Exchange, on the securities side, decides that there is too much chaos, I think they could suggest that they not reopen.

I think that if we see chaos on the futures side, and if we feel that the market is in an emergency state, our agency has ample emergency authority, as I read section 8a(9), to declare an emergency, if our exchanges do not really know what they want to do. Maybe the situation in front of us at the time might dictate just that very thing, and it could be done.

In other words, not go to the second level and be closed for more than the 1 hour specified.

Senator BOND. Thank you very much, Mr. West. Your comments are very helpful. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Thank you, Mr. West. I appreciate your being here. We may have one or two other questions for the record, but if we do we will get them to you very, very quickly.

Mr. WEST. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you for being here.

We are going to go, in a moment, to the hearing for William Walter Erwin and I might just state, before we start that, in developing the Farm Credit legislation last year, Congress wanted to ensure that safeguards were established within the Farm Credit System to protect the taxpayers' potential risk and that borrowers' rights were protected. To accomplish this end, Congress established the Farm Credit System Assistance Board, made up of the Secretaries of Treasury and Agriculture and a farmer or rancher.

The Assistance Board has had a quick start. Since January, it has hired staff, retired frozen borrower stock, provided for assistance to the Jackson and Louisville Federal Land Banks, and requested that the Jackson Federal Land Bank be placed in receivership.

However, one thing has been painfully slow about the Assistance Board. It was over 4 months after the enactment of the law before the administration nominated a farmer to the Board.

I am disappointed it has taken so long. Many important decisions have been made by the Assistance Board without the benefit of a farmer member. I felt, when we enacted the Farm Credit legisla-

tion, that the farmer member of the Board would assure that the interests of farmers, who depend on the Farm Credit System, would be heard. I have asked the committee to move expeditiously on this nomination—much quicker than we normally do—to assure that we are going to have a farmer on the Board as soon as possible.

I would hope that the interests of the taxpayers were represented well by the Secretaries of Treasury and Agriculture in the recent decisions by the Assistance Board. Knowing both those gentlemen, I am sure it was approached conscientiously. But without a farmer member, I can only hope that farmer-borrowers' interests have been given equal consideration.

Mr. Erwin, if you would step forward please and raise your right hand. Do you solemnly swear that the testimony you shall give in this matter shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. ERWIN. I do.

TESTIMONY OF WILLIAM W. ERWIN, OF INDIANA, TO BE A MEMBER OF THE BOARD OF DIRECTORS OF THE FARM CREDIT SYSTEM ASSISTANCE BOARD

[The prepared statement and background information of Mr. Erwin can be found at the conclusion of the hearing.]

The CHAIRMAN. I might say that you face a challenging position. There will be a lot of important decisions for the Board.

I want to yield first to the distinguished Senator from Indiana, who knows you better than anybody else here.

Senator LUGAR. Thank you very much, Mr. Chairman. I occupy a position in this hearing that is a privileged one, of not only taking part in the hearing for Will Erwin, but as my colleague, Senator Gramm, did in the initial session, introducing him to the committee.

I start simply by saying that I take great pleasure in introducing a fellow Hoosier who has given a lifetime of service to agriculture in our State and to the United States of America.

Will Erwin has been nominated by the President to fill the now vacant third position on the Farm Credit System Assistance Board created by the Agricultural Credit Act of 1987. The importance of that Board you have stressed, Mr. Chairman, and it cannot be overstated. That is apparent by the very composition of the Board, which includes the Secretary of Agriculture, the Secretary of the Treasury, and a farmer. Will Erwin has been nominated to serve as the producer member.

Let me review, just very briefly, his record, which includes service in the Army Air Corps in 1944 and 1945. He served as Assistant Secretary of Agriculture, appointed by the President and confirmed by the Senate, and coordinated all Federal rural development assistance programs, the Farmers Home Administration, the Rural Electrification Administration, and the Rural Development Service, were all under his jurisdiction during that service.

He has served on President Eisenhower's Committee on Programs and Progress, President Johnson's Committee on Community Relations, President Nixon's Task Force on Rural Development

and, in the Agriculture Department under President Ford. If confirmed in this position, this would be at least the fifth administration under which Will Erwin has served.

In 1974, he headed the U.S. delegation to the International Conference on Planning and Development of Rural Areas held in Plovdiv, Bulgaria. Prior to that, he has served as an agricultural consultant to William Ruckelshaus, then the Administrator of the Environmental Protection Agency, and as Under Secretary of Agriculture.

Will Erwin is a graduate of the University of Illinois. His wife, June, has been a high school and university teacher. He has children who have been very successful in their various realms. He is the author of many magazine articles and professional papers and has spoken in all 50 States of our Union to many organizations, including universities, the Bar Association, the Western Governor's Conference, the National JC meetings, and a host of others.

He has obviously received numerous awards nationally for both agriculture and for his political service.

It is a very, very real pleasure to have him before the committee this morning, Mr. Chairman. I share your sense of urgency with regard to the third member, and it is a privilege to greet him in the presence of Senator Boren, who labored along with the two of us here on, I think, the very successful collaboration, both in the subcommittee and in the full committee, to bring about the credit reforms.

Certainly the nomination, I am hopeful, can have speedy consideration.

I ask you out of order, at least in terms of this introduction, Mr. Chairman, to consider whether it might be possible to add this nomination to our markup agenda for tomorrow, in view of the need to proceed into the Senate with the nominee. This may be a question you will want to reserve judgment on until after we have had the hearing and you have examined the qualifications of the nominee, but I would hope perhaps in tomorrow's markup we could consider the nominee, if he is found fit.

The CHAIRMAN. Personally, I would not have an objection to that. I would want to have us do a quick check around to the other members, because some have suggested they may have questions of Mr. Erwin. If they do, I would urge them to get those questions in as quickly as possible, because I do feel we should move forward.

As Senator Lugar was saying, you are obviously a typical farmer. Visiting each of the 50 States, the articles, the discussions and so forth, but I also am well aware of your background and am impressed by it.

Maybe you can check down your side of the aisle and I will check down mine, Dick, and see if any other Senators have questions for Mr. Erwin.

Senator LUGAR. I will add just one final point of testimony, Mr. Chairman, and that is that I have seen Will Erwin in his native habitat. He is a farmer and I have seen the land that he and his family have farmed. We count them to be a very important part of our agricultural community that we are prepared to share with the Nation.

Thank you.

The CHAIRMAN. Thank you.

Mr. Erwin, if you are confirmed by the Senate, will you faithfully execute the laws passed by Congress, regardless of any prior statement you have made or biases you may have held?

Mr. ERWIN. I will.

The CHAIRMAN. If your nomination is approved by the committee and the Senate, do you promise to respond to requests to appear and testify before this committee or any other duly constituted committee of the Senate?

Mr. ERWIN. I do.

The CHAIRMAN. The Agricultural Credit Act of 1987 was designed to assure that the Farm Credit System would survive the troubled times that they were facing and continue to be able to offer credit to farmers and ranchers. Do you feel that Farm Credit System institutions are vital to servicing the credit needs of agriculture or could other private lenders provide the needed credit to farmers?

Mr. ERWIN. I consider, in modern American agriculture, that this System is vital.

The CHAIRMAN. As provided in the Agricultural Credit Act of 1987, the Assistance Board members are also members of the National District Merger Committee. The purpose of this committee is to develop a proposal to consolidate the 12 Farm Credit banks into no less than 6 banks. Stockholders of the banks would then vote on the proposed merger.

What do you feel should be the role or position advocated by the Assistance Board as members of the District Merger Committee?

Mr. ERWIN. Mr. Chairman, let me say that my preparation for this has been fundamentally getting my farm in order, so that I could have more time to work on this, if confirmed.

It seems to me that the agricultural credit system is sufficiently difficult that we have to take steps that historically we would not have been comfortable taking. Merger may very well be, and probably is, the answer in many cases.

I have this hesitation because not having seen all sorts of confidential data and a lot of information, I do not feel it is appropriate to give you a locked in concrete answer until I have studied it further.

The CHAIRMAN. The Farm Credit Administration has recently requested that the Assistance Board put the Jackson Federal Land Bank into receivership. At the same time, it indicated that joint and several liability among banks would not be triggered to pay off outstanding liability of the Jackson Federal Land Bank.

From what you know of that action, do you consider it to be reasonable and proper?

Mr. ERWIN. First of all, what I know of that action is pretty limited. What I have read in the media, and what I have heard of it, it seems to me to be a reasonable action.

The CHAIRMAN. Your questionnaire, submitted to the committee, said that you currently serve on the board of directors of a commercial bank. You currently have an outstanding loan from the Louisville Federal Land Bank. Would you tell us about the various lending institutions that you have been affiliated with, and what your role was with those institutions?

Mr. ERWIN. As the Assistant Secretary of Agriculture for Rural Development, I had essentially, policy responsibility for the Farmers Home Administration and REA, and I served on the Rural Telephone Bank Board.

As a farmer, I serve on the board of a local bank. It is a county seat bank. It has purchased a number of smaller banks, and in the last year and a half I have been in the position of observing a lot of farms with a lot of problems. I suspect that my fundamental qualification is that I started farming in 1949 and borrowed money and the farming operation that I am affiliated with still owes money, so that I have experienced it as a borrower all that time.

The CHAIRMAN. What happens if you are confirmed? Should you pay off your Federal Land Bank loan, resign from the bank board of directors, in order to avoid an appearance of conflict of interest?

Mr. ERWIN. Originally, as I looked at it from Indiana, I thought that I would not need to do that. As I look at it and understand that it is not only any impropriety, but anything that could appear to be improper or in conflict of interest, I think it is appropriate for me to resign from the local bank board and to refinance our farm's obligations outside of the Farm Credit System, so those questions cannot be raised.

The CHAIRMAN. I agree with you on that. When we asked the question, I do not think anybody on this committee questions your integrity or your background. You have had a chance to prove your integrity in a number of positions.

But I think, as you say, it is the appearance of conflict of interest and what you do is, by doing that, while it creates some inconvenience for you and I suspect some monetary detriment, too, it removes even any appearance of conflict of interest, and I commend you on your decision. I think it is the proper one.

Senator Lugar.

Senator LUGAR. Thank you very much, Mr. Chairman.

Mr. Chairman, first of all, I would like unanimous consent that a statement by Senator Karnes, welcoming the nominee, be inserted in the record.

The CHAIRMAN. Without objection, so ordered.

[The prepared statement of Senator Karnes can be found on page 3.]

Senator LUGAR. Mr. Erwin, as you know, the position for which you have been nominated is to be a representative farmer. I would simply like, for the record, to ask you to outline the extent of the family farming operation that you have, and the types of agricultural activities in which you have engaged during these past 40-some years, since 1949?

Mr. ERWIN. Senator, in the interest of time, I will not include all of that, but I will try to get at the high points. We raise corn, soybeans, sometimes cattle and hogs. My wife and I have 300 and some acres, and we have an interest in a family farm subchapter S corporation that farms something over 2,000 acres of land.

We have, over the years, received a good bit of recognition, not principally because we had the biggest and fanciest equipment or the best buildings, but because of our systems. A particular system that has received a good bit of recognition is that if we employ a young person to help us, it is understood when he comes to work

that he is there for the purpose of gaining experience for farming on his own.

We have a system of profit share. We have a system where the young man can buy machinery and lease it back to the farm. Currently, the two young men who help us also use our machinery and some that they have bought to farm their own land, so that they are operating on their own, as well as operating with us.

Senator LUGAR. For the sake of curiosity, in this particular year as you face planting or as you have just experienced planting, what sort of crops will you have and about what sort of acreage in your operations will be devoted to beans or corn or whatever you have?

Mr. ERWIN. About 250 acres of soybeans and 1,000 acres of corn, and then we rent some acreage to a young neighbor.

Senator LUGAR. Do you still have livestock on the farm?

Mr. ERWIN. Yes, sir. We have hogs. We chickened out on the cattle market about a year ago when we made a nice profit after some losses.

Senator LUGAR. Are your borrowings from the Farm Credit—

The CHAIRMAN. That was a mixed metaphor, chickening out on the cattle market. [Laughter.]

Senator LUGAR. In your borrowings from the Farm Credit System, what parts of agricultural operations do you have that have led to this? Are they operational loans, or land loans? How would you describe them?

Mr. ERWIN. Farm real estate mortgages through the Federal land bank.

Senator LUGAR. They came from extension of your holdings at various times?

Mr. ERWIN. It came from extension. It came from putting in irrigation, major drainage systems.

Senator LUGAR. I raise these questions because I suspect anyone looking at this hearing record as to the credibility of whether a farmer-member is coming along with the two Cabinet officers would need to know that you are still involved in farming. As you have testified, you still owe money. As the Chairman and you have had this colloquy, probably you would be owing the money to somebody else. There will not be any possibility of question being raised on this. But this is still a hands-on farming operation, both with your family as well as with the young persons in whom you have this management system.

Mr. ERWIN. Senator, I spent last week driving a bulldozer and cultivating corn. I might add, cultivating corn in Indiana right now is very difficult because of the drought.

Senator LUGAR. Yes, that is true.

The second area of specific expertise that Congress provide, in the position you have been nominated for, is that the farmer be experienced in financial matters. We have covered that in the course of being experienced in farming itself. Let me just ask this question. As a farmer-member of this Board, how do you plan to operate? That is, you know that the other two Board members come from two vast agencies of the Federal Government, or their designees, Secretary of Treasury and Secretary of Agriculture. They have, presumably, the expertise of the staff that comes along with those situations.

And Congress, in order to make certain that these vital decisions being made have farmer input have brought about the situation which you have been nominated. As you understand your situation as you visit around, where will you be physically and how will you interact with these other two to make certain that people who are farming in America have some assurance that your voice is being heard and that you are a vital part of this situation?

Mr. ERWIN. It seems to me that, as I perceive it, that the legislation set up this position to have someone who is more available. That the other people are Cabinet members and they are very busy, and that as a farmer who can communicate with farmers, I should be available to any and all farm organizations. It seems to me I should be particularly available to the Senate and the House in terms of their interest as their people from their districts and States have concerns. And it is my intention to be as available as I can.

Now, sort of the implied on the other side of the question is, how do I then relate with the other two members of the Board? It seems to me that I relate as the advocate. That I am there as the active farmer, and I had better be speaking up for their interests.

Senator LUGAR. Just in terms of my own interest or curiosity in terms of the mechanics of this Board. Obviously, it has been meeting with the two members there and the absent chair needs to be filled. Where do they meet? Physically, who calls the meetings or how does this work?

Mr. ERWIN. Senator, I do not know. I have, since my name has come up, made it a point—I have never been to the office. I do not know the personnel. I did have a call from Eric Thor,¹ how do you do, and sort of in essence that if I am confirmed we will talk further. So I cannot answer that question.

Senator LUGAR. So it is still a creative role. In other words, you have an opportunity to carve your own niche into this situation, and to sort of indicate that you are there and that you intend to be a vigorous presence.

Mr. ERWIN. That is correct.

Senator LUGAR. I thank you and I thank the Chair.

Senator BOREN [presiding]. Thank you very much, Senator Lugar. The chairman will be right back. He has been called to the telephone.

I want to join in welcoming you. Certainly, you have a very impressive background, both in your practical experience day-to-day and ongoing in agriculture. I guess we can all call it creative agriculture in the times through which we are passing. Your background of Government service extending through several administrations is certainly impressive.

I would say to you also that the recommendation which comes from Senator Lugar is one that carries a great deal of weight with me and, I am sure, many other members of the committee. We have worked with him so closely for such a long period of time. For him to give all of us the high recommendation that he has given, not only in public today but that he has also given to a number of

¹ Eric P. Thor is president and chief executive officer of the Farm Credit System Assistance Board.

us privately in conversing about you, is certainly something that impresses us as well.

I want to join with Senator Lugar in saying, I think it is very important that we get the Assistance Board fully operational with its complete membership as quickly as possible. I hope that we will be able to do that. And if there is the anticipated response to this nomination that we expect, I hope we will be able to proceed to act on the nomination as quickly as possible.

As you know, it is absolutely important that the Assistance Board do everything that it can to ensure the survivability of the System. It is really the key to the legislation on which we all labored for so many hours. We have put a great deal of trust in the Assistance Board.

We have also put fundamental trust in the belief that the Assistance Board would be composed of people who would be willing to act quickly and decisively. Certainly, getting as much information as they could, but at the same time not studying something to death to the point that the time for action has already passed and the problem has gotten much more serious, or the patient is beyond the survival stage by the time action finally comes.

As we all know, there are various ways of causing institutions to fail. One of them is simply to defer action on requests for help until the situation has deteriorated so much that the request is virtually moot by the time the Board acts upon it.

So I would just ask if you share my view that the need to act decisively and to consider these requests for help in a very timely fashion is a very important one.

Mr. ERWIN. I certainly do, Senator. Having been a farmer all my time, Mother Nature just does not wait. There is a time to sow and a time to reap and you have to move.

Senator BOREN. As you know, the act was drafted in a manner to ensure that no System institution would have its stock below 75 percent of par value unless the Assistance Board decided that the institution should be liquidated or merged. Otherwise, if they do not make a decision to either liquidate or merge the institution, the Assistance Board is to take action immediately to ensure that a plan is developed which will keep the stock from being impaired below this 75 percent of value.

Do you intend to ensure that the Board would follow this mandate of the law and implementing it?

Mr. ERWIN. I certainly would intend to ensure that the Board would follow the law.

Senator BOREN. You understand, again, that it is necessary to move immediately when an institution requests assistance if its stock falls below 75 percent. That it is much better, even if there is a decision to merge or to liquidate an institution, to decide quickly than to allow the institution to linger on. If there is going to be help, there is a need to do it as quickly as possible once we are in this kind of situation.

Mr. ERWIN. Yes, sir.

Senator BOREN. Let me just ask one question, and you have certainly given a very reassuring answer to us, and it is again not reflected upon any belief by any member of this committee that your current service on commercial bank boards, or the current loan

that you have with the System would in any way compromise your own integrity. I think your record certainly reflects the integrity with which you have conducted yourself. But as you know, in Government operations, it is not only the reality that is important, it is also very important that we make sure there is no appearance of any conflict as well, and I commend you for your answer that you planned to take steps that would divest yourself of any possible conflict of interest in this regard.

Given your involvement with two commercial banks, do you believe that you can objectively review the proposals for assistance submitted by the boards of System institutions? As you know, there is some suspicion that certainly came out during the time we were drafting the legislation, within the System itself, that there are those who would really like to see the System fail, and they would like to see districts really fail in their efforts to restructure because they would like to see the commercial banks take on this role and no longer have to compete with the System.

Do you feel that you can be objective and impartial in your review given your past service with commercial banks, on the boards of commercial banks?

Mr. ERWIN. Yes, Senator, I do. I recall as a small boy my father saying to me that he would have lost his farm if it had not had been for the Farm Credit System. So I have a genesis that comes both ways.

Senator BOREN. So you feel that you can have a proper balance, in your viewpoint, as to the role played by the commercial banks and the fact that there is still a rightful role, an important role here for the Farm Credit System to play as well.

Mr. ERWIN. Yes, I do.

Senator BOREN. Thank you very much. Again, I hope that we will be able to act in a timely fashion. I would just urge you again to keep in mind this need to act expeditiously. I cannot underline that too much because our experience, and unfortunately, in Oklahoma we have had too much experience over the recent 3 or 4 years with what happens to financial institutions when they get in trouble, be they Farm Credit institutions or commercial banks. As you know, we have lost 20 percent of the commercial banks in our State. It has been a real tragedy.

But again and again, I have seen the situation where the institutions were allowed to deteriorate to such a point that if assistance had been provided sooner, the cost to the taxpayers, to the Government, would have been much less. Certainly, the heartache in the communities impacted would have been much less.

I would just urge you again to be a force—if you are confirmed, as we expect, as a member of this Board—a force for saying, if there is any doubt, let us go ahead and act now. Let us act expeditiously to keep these institutions from deteriorating too much before we finally get into the picture. And in some cases, as you know, the districts come under certain supervisory requirements. They have more reporting. They have to take some additional steps to put their own house in order if they do come under assistance.

In some cases, that is also necessary, and we gave the Assistance Board some levers to use in those kinds of situations where that kind of expertise and advice from the outside is perhaps badly

needed by a district. And the sooner that the assistance plan is put in effect, the sooner also some of this technical advice and additional help to improve management techniques also begins to flow in a district.

So it is not really a question. It is more in the nature of unsolicited advice. But I really would urge you, again, as one who chairs those subcommittee meetings when we had—I do not know—100 hours of markup on this legislation, that was a theme that came again, and again, and again: the amount of confidence that we were reposing in the Board, the importance of the qualification of the people that would serve, and their ability to act decisively and expeditiously and not follow the usual bureaucratic path of studying and waiting for more and more facts when the picture was already clear enough to take action. So I would urge you to follow that course.

Thank you very much, Mr. Chairman.

The CHAIRMAN [presiding]. Thank you, Senator. Thank you very much, Mr. Erwin. We appreciate having you here.

Mr. ERWIN. Thank you.

The CHAIRMAN. The committee stands adjourned.

[Whereupon, at 11:30 p.m., the committee adjourned, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF
HONORABLE FOWLER C. WEST
COMMISSIONER
U.S. COMMODITY FUTURES TRADING COMMISSION
BEFORE
SENATE COMMITTEE ON AGRICULTURE, NUTRITION, & FORESTRY
JUNE 7, 1988
10:00 A.M.

MR. CHAIRMAN, IT IS A PRIVILEGE TO APPEAR BEFORE THIS DISTINGUISHED COMMITTEE AS THE SENATE FORMALLY BEGINS ITS ROLE IN THE APPOINTMENT PROCESS. THE PRESIDENT HAS HONORED ME BY RENOMINATING ME TO A SECOND TERM AS COMMISSIONER WITH THE COMMODITY FUTURES TRADING COMMISSION (CFTC). I HAVE SERVED ON THE COMMISSION SINCE OCTOBER, 1982. I HAVE SEEN THE CFTC BECOME A MORE EFFECTIVE AGENCY, WORKING CLOSELY WITH THE CONGRESS IN THE OVERSIGHT AND REAUTHORIZATION PROCESSES.

I AM A STRONG SUPPORTER OF SELF-REGULATION, BUT I HASTEN TO ADD THAT SELF-REGULATION WILL ONLY WORK EFFECTIVELY IF THE REGULATOR AT THE TOP DOES ITS JOB. I BELIEVE THE CFTC HAS BEEN DOING A GOOD JOB, AND I THINK THE INDUSTRY IS STRONGER AS A RESULT. I WELCOME OVERSIGHT BY THE CONGRESS BECAUSE I BELIEVE THAT MAKES US BETTER REGULATORS.

MUCH ATTENTION HAS BEEN FOCUSED ON THE MARKET DROP LAST FALL. GREAT PROGRESS HAS BEEN MADE TO ASSURE THAT REGULATORS AND SELF-REGULATORS WILL BE EQUIPPED TO DEAL WITH ANY FUTURE MARKET MOVEMENT OF GREAT MAGNITUDE. I SUPPORT THE INTERIM REPORT OF THE WORKING GROUP ON FINANCIAL MARKETS WITH THE FIRM UNDERSTANDING THAT THE SELF-REGULATION CONCEPT OPERATE PROPERLY. I GREATLY RESPECT THOSE MEMBERS OF CONGRESS, INCLUDING YOU MR. CHAIRMAN, WHO HAVE WRESTLED WITH LEGISLATIVE IDEAS AND HAVE SPENT A TREMENDOUS AMOUNT OF TIME AND EFFORT TO ASSURE THAT THE INITIAL CONCERN EXPRESSED BY BOTH HOUSES OF CONGRESS HAVE HAD A TRUE IMPACT ON US ALL.

TURNING TO OTHER SUBJECTS, I WOULD NOTE THAT IF CONFIRMED BY THE SENATE, I PLAN TO CONTINUE THE WORK I HAVE BEEN DOING WITH THE ADVISORY COMMITTEE ON CFTC-STATE COOPERATION, WHICH I CHAIR. I WILL ALSO CONTINUE TO PLACE HIGH PRIORITY ON MY EFFORTS TO LESSEN THE DESTRUCTIVE IMPACT OF COMMODITY-RELATED FRAUD ON SMALL INDIVIDUAL INVESTORS; TO DEVELOP CLOSE WORKING RELATIONSHIPS WITH STATE REGULATORS IN FIGHTING FRAUD, PARTICULARLY BY WORKING TO GET AS MANY STATES AS POSSIBLE TO ADOPT THE MODEL STATE COMMODITY CODE; AND TO IMPROVE THE CFTC'S REPARATIONS PROGRAM AS WELL AS THE ARBITRATION OF COMMODITY-RELATED DISPUTES.

MR. CHAIRMAN, I THANK YOU FOR YOUR TIME AND I WILL BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.

BIOGRAPHICAL INFORMATION (PUBLIC)

1. Full name (include any former names used).

Fowler Claude West

2. Address: List current place of residence and office address(es). List all office and home telephone numbers where you may be reached.

2706 Cameron Mills Road
Alexandria, Virginia 22302
Home phone: (703) 548-5981
Work phone: (202) 254-8541

Commodity Futures Trading Commission
2033 K St., N.W.
Washington, D. C. 20581

3. Date and place of birth.

July 6, 1940
McLennan County, Texas

4. Marital Status (include maiden name of wife or husband's name). List spouse's occupation, employer's name and business address(es).

Married to Anne Paine West.
Homemaker.

5. Education: List each college and graduate or professional school you have attended, including dates of attendance, degrees received, and dates degrees were granted.

1958-59 North Texas State University
1959-63 Baylor University B.A. (1963)
1978-80 The George Washington University M.A. (1980)
1984-88 Georgetown University Law Center J.D. (1988)

6. Employment Record: List (by year) all business or professional corporations, companies, firms, or other enterprises, partnerships, institutions and organizations, nonprofit or otherwise, including farms, with which you were connected as an officer, director, partner, proprietor, or employee since graduation from college; include a title and brief job description.

1982-Present Commissioner, U.S. Commodity Futures Trading Commission. Appointed by President Ronald Reagan and confirmed by the Senate for a 5-year term. The Commission is the exclusive federal regulator of all trading in futures and commodity options. Commissioners participate directly in all significant decisions including the designation of new markets, adoptions of rules, commencement of enforcement

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actions, allocation of budget resources, ruling on appeals from Administrative Law Judges in customer reparation and enforcement cases, review of exchange disciplinary and emergency market actions and maintaining industry oversight. Commissioners must also maintain effective channels of communication with all segments of the regulated industry, Congress and market users. In the position, I have focused particularly on law enforcement issues at the Commission, the improvement of our reparations claim system, arbitration, the development of legal concepts through the Commission's appeals procedure, and relations with state regulators. I chair the CFTC's Advisory Committee on CFTC/State Cooperation, a group consisting of federal, state and local law enforcement officials and the presidents of the National Futures Association and the Futures Industry Association. The Advisory Committee is mandated to facilitate cooperative efforts between the CFTC, industry self-regulators, and the states. I also serve as CFTC delegate to the U.S. Office of Consumer Affairs Consumer Advisory Council, and I chair the Finance Group Task Force. I have participated as a member of the National Futures Association Consumer Education Advisory Council.

1973-82 Staff Director, House Committee on Agriculture. Chief administrative officer of the Committee managing a staff of some 50 professionals and clerical employees. Represented the Chairman in scheduling and processing of all legislative matters and organizing the Committee each session. During this period, the Committee developed several major legislative packages including the Farm Bills of 1981 and 1977, and the Commodity Futures Trading Commission Act of 1974, which created the CFTC. Served under Committee Chairmen W.R. Poage (1973-74), Thomas S. Foley (1975-80), and E (Kika) de la Garza (1981-82).

1971-73 Staff Consultant, House Committee on Agriculture. Legislative professional involved in the development and enactment of the Rural Development Act of 1972, the Farm Credit Act of 1971, and the Rural Telephone Bank Act of 1971.

1969-71 Administrative Assistant to Congressman W.R. Poage. Acted as staff director and chief advisor to the Congressman.

1965-69 Professional Staff, House Committee on Agriculture. Responsibilities involved the Farm Bill of 1965 and the Laboratory Animal Welfare Act.

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1963-65 Staff Assistant, Office of Congressman W.R. Poage. General office duties. (September-March, 1983)
Active duty Texas National Guard.

7. Military Service: Have you had any military service? If so, give particulars, including the dates, branch of service, rank or rate, serial number and type of discharge received.

1963-69 Army National Guard (Texas and Washington, DC)
Sergeant E-5. Serial Number: NG 25 896 804
Honorable Discharge.

8. Government Service: State (chronologically) your government service or public offices you have held, including the terms of service grade levels and whether such positions were elected or appointed.

See Question 6.

9. Honors and Awards: List any scholarships, fellowships, honorary degrees, and honorary society memberships that you received and believe would be of interest to the Committee.

1984 Chosen to participate in the Baylor University Men and Women of Merit Week.

1977 Recipient of the Roll Call Newspaper Congressional Staffer of the Year Award.

10. Other Memberships: List all organizations to which you belong, excluding religious organizations.

Baylor University Alumni.

Democratic Party.

North Ridge Citizens Association.

Charles Barrett Elementary School and George Mason

Elementary School Parent Teacher's Associations.

Advisory Committee for the Baylor/Washington Public

Administration Internship Program.

U.S. Office of Consumer Affairs Consumer Advisory Council.

11. Published Writings: List the titles, publishers, and dates of books, articles, reports, or other published materials (including published speeches) you have written. Please include on this list published materials on which you are listed as the principal editor. It would be helpful to the Committee if you could provide one copy of all published material that

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may not be readily available. Also, to the maximum extent practicable, please supply a copy of all unpublished speeches you made during the past five years on issues involving agriculture, nutrition, forestry or commodity futures policy or related matters.

"History of Arbitration in the Futures Industry And Its Interaction With The Commission's Reparation Program." September, 1987.

"Customer Protection: Unfinished Business for Regulators and Regulatees." September 25-26, 1986.

"How to Help Farmers Help Themselves." Farm Futures, July/August, 1986.

"CFTC Faces World Markets." Futures and Options World, July, 1986.

"How to Avoid Commodity Rip-Offs." Money Maker, September, 1984. [Also published as "Ten Tips for Avoiding a Commodities Scam" in Amtrak Express, July, 1984, and as "Commodity Con Games-Don't Be Taken" in Better Business News and Views, March/April, 1985.]

"Combating Commodity Fraud--It's in the Interest of the Futures Industry." Commodity Law Letter, May, 1984.

12. Health. What is the present state of your health?

My health is excellent.

FINANCIAL DATA AND CONFLICT OF INTEREST (PUBLIC)

1. Have you severed all connections with your immediate past private sector employers, business firms, associations, and/or organizations?

My work experience has been with the Federal Government since receiving my B.A. degree in 1963.

2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, incompleting contracts and other future benefits which you expect to derive from previous business relationships, professional services, firm memberships, former employers, clients, or customers.

None.

3. Do you, or does any partnership or closely held corporation in which you have an interest, own or operate a farm or ranch? (If yes, please give a brief description including location, size and type of operation.)

No.

4. If confirmed, do you have any plans, commitments, or agreements to pursue outside employment or engage in any business or vocation, with or without compensation, during your service with the government? (If so, explain).

No.

5. Do you have any plans to resume employment, affiliation, or practice with your previous employers, business firms, associations, or organizations after completing government service? (If yes, give details.)

No.

6. Has anyone made a commitment to employ you or retain your services in any capacity after you leave government service? (If yes, please specify.)

No.

7. Identify all investments, obligations, liabilities, or other relationships which involve potential conflicts of interest in the position to which you have been nominated.

None.

Financial Data...(Public)
Page 2 of 2

8. If confirmed, explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items.

Should any arise, I would consult with the Office of the General Counsel at the CFTC. If necessary, I would excuse myself from participating in any such matter to avoid a conflict.



NASAA

June 2, 1988

NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.

555 New Jersey Avenue, N.W., Suite 750
Washington, D.C. 20001
202-737-0900

James C. Meyer
President
Director, Division of Securities
Department of Commerce and Insurance
1808 W. End Building
Nashville, Tennessee 37219

Senator Patrick Leahy
Chairman, Agriculture, Nutrition &
Forestry Committee
United States Senate
Room 328A
Russell Senate Office Building
Washington, D.C. 20518

Dear Senator Leahy:

The North American Securities Administrators Association (NASAA) respectfully encourages you to vote to confirm the reappointment of Fowler West to the Commodity Futures Trading Commission (CFTC). NASAA is the association of the 65 state and provincial securities administrators from the United States, Canada, Mexico and Puerto Rico, responsible for administering and enforcing securities laws in their jurisdictions.

Commissioner West understands and has supported the important role of the states in commodities law. Due in large part to the efforts of Commissioner West, the states and the CFTC now enjoy a level of cooperation almost unheard of in state-federal relationships. The result is more effective prevention of fraud in the commodities arena.

Commissioner West chairs the Advisory Committee on State-CFTC Cooperation, which facilitates this level of cooperation, particularly in the enforcement area. The states and the CFTC now undertake joint investigations and enforcement training seminars for state personnel; the CFTC willingly provides expert witnesses and analysts to the states; and information is now more fully exchanged.

Commissioner West has been a tireless advocate on behalf of the Model State Commodity Code, which was put in final form by the states, working through NASAA, and the CFTC in late 1985. Taking advantage of section 12(e) of the Commodity Exchange Act, the Model Code fills the gap between the Commodity Exchange Act and traditional state securities laws. It provides the states with a clear jurisdictional basis to act against commodities scams, and provides swift and comprehensive enforcement tools to use against those who would violate its provisions.

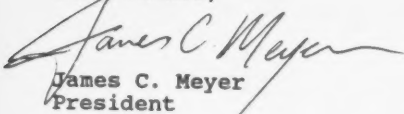
President: James C. Meyer (Tennessee) • **Executive Vice President:** Craig A. Goettisch (Iowa) • **Secretary:** John C. Baldwin (Utah)
Treasurer: Debra M. Bollinger (South Dakota) • **Directors:** H. Wayne Howell (Georgia), Robert M. Lam (Pennsylvania), Richard D. Latham (Texas), John R. Perkins (Missouri) and Merrill H. Wigginton (Prince Edward Island) • **Vice President/Chief Executive Officer:** Hon. Andrew Maguire

Letter to Senator Leahy
June 2, 1988
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The Model State Commodity Code, already adopted by seven states [in two additional states the Code's provisions have been incorporated into the securities laws] and under consideration in several others, is an innovative approach to protecting investors. Commissioner West's efforts to secure wide enactment of the Code by the states is a notable example of his commitment to using limited resources effectively to get the job done.

The investing public, the industry, and our common goal of protecting the integrity of the marketplace will be well served by the reappointment of Fowler West to the CFTC. We respectfully encourage you to act favorably on his nomination.

Best wishes,


James C. Meyer
President

BIOGRAPHICAL INFORMATION (PUBLIC)

1. Full name (include any former names used).

William Walter Erwin

2. Address: List current place of residence and Office address (es). List all office and home telephone numbers where you may be reached.

Residence: 2595 14B Road
Bourbon, IN 46504
Phone: 219-342-8405

Office: Triple "E" Farm, Inc.
107 S. Walnut St., P.O. Box 195
Etna Green, IN 46524
Phone: 219-858-2603

Office of the Administrator
United States Environmental Protection Agency
Washington, D.C. 20460
Phone: 202-382-7960

3. Date and Place of birth.

September 28, 1925
Plymouth, Indiana

4. Marital Status (include maiden name of wife or husband's name).
List spouse's occupation, employer's name and business address (es).

Married - June 12, 1948
June Ruth Bramlet - School Teacher
Triton School Corporation
Triton High School
Bourbon, Indiana 46504

5. Education: List each college and graduate or professional school you have attended, including dates of attendance, degrees received, and dates degrees were granted.

University of Illinois, Champaign, Illinois
1943 - 1944
1946-1949
B.S.
Some graduate study in Ag Economics while still an undergraduate
Indiana University Extension, South Bend - night classes in history
1963-1964

6. Employment Record: List (by Year) all business or professional corporations, companies, firms, or other enterprises, partnerships, institutions and organizations, nonprofit or otherwise, including farms, with which you were connected as an officer, director, partner, proprietor, or employee since graduation from college; include a title and brief job description.

1949-1965 Farmer - Partner Erwin & Erwin
1956 Summer and Fall Republican National Campaign Field Representative in Kansas and Colorado
1965 to present time, president of Triple E Farm, Inc.
1987 to present time, partner in Earl and Erwin
1981 to present time, trustee of Farm Foundation
1986 to present time, member of the Board of FNBancorp and The First National Bank of Warsaw, Indiana.

7. Military Service: Have you had any military service? If so, give particulars, including the dates, branch of service, rank or rate, serial number and type of discharge received.

Yes.

U. S. Army Air Corps 1944-1945
Aviation Cadet - Serial number 16032301
Honorably discharged
Air Force ROTC
Reserve Second Lieutenant
No active duty served

8. Government Service: State (chronologically) your government service or public offices you have held, including the terms of service, grade levels, and whether such positions were elected or appointed.

Elected Indiana State Senate 1965-1969
Consultant to the Administrator of the U. S. EPA 1970-1972 - appointed
Deputy Undersecretary of Agriculture 1972-1973 - Grade 18 - appointed
Assistant Secretary of Agriculture 1973-1975 - appointed
Consultant to the Administrator U. S. EPA 1983 to present - appointed

In addition to the above, I served on:

Secretary of Agriculture Ezra Taft Benson's Study Committee on the conservation activities of the U. S. Government
As a member and chairman of the Indiana Advisory Committee to the U. S. Civil Rights Commission
As a member of President Johnson's committee on Community Relations
As a member of President Nixon's Task Force on Rural Development

9. Honors and Awards: List any scholarships, fellowships, honorary degrees, and honorary society memberships that you received and believe would be of interest to the Committee.

University - Sachem (Junior men's honorary)
Mawanda (Senior men's honorary)
Military - Scabbard and Blade
Jaycee Outstanding Young Farmer contest - National winner
Honorary State Farmer
Outstanding service award National Vocational Agricultural Teachers' Association
University of Illinois College of Agriculture Alumni Association Award of Merit
Outstanding service to agriculture award, Purdue Agricultural Alumni Association
Outstanding Conservation Award - Marshall County

10. Other Memberships: List all organizations to which you belong, excluding religious organizations.

Masonic Lodge
Farm Bureau
American Legion

11. Published Writings: List the titles, publishers, and dates of books, articles, reports, or other published materials (including published speeches) you have written. Please include on this list published materials on which you are listed as the principal editor. It would be helpful to the Committee if you could provide one copy of all published material that may not be readily available. Also, to the maximum extent practicable, please supply a copy of all unpublished speeches you made during the past five years on issues involving agriculture, nutrition, forestry or commodity futures policy or related matters.

Enclosed you will find copies of the two most recent published articles. Over the years I have written a number of articles but I have not kept a record of publications or dates when they were published. Principally, these would have been dealing with rural development topics.

My public speaking goes back to the 1940's and includes travel, American history (particularly the Civil War), agriculture's position in the society, soil conservation, world hunger, marital relations, lifemanship, agriculture and the environment, and rural development.

During the last five years, the frequency of my public speaking varies, but probably averages 25 to 50 appearances a year.

I do not speak from manuscript — only from notes. As a consultant to the EPA, I never speak for the EPA, but only as a farmer-consultant, expressing his own views.

The enclosed article from the Soil and Water Conservation Journal is a summary of a speech I made to that group.

Other recent speeches include the National Association of Soil and Water Conservation Districts, the Indiana Farm Bureau, Marshall County Cooperative Extension Service annual meeting, American Soybean Association, National Cattlemen's Association.

12. What is the present state of your health?

A recent thorough examination by the Mayo Clinic indicates excellent health, with no limitation on activity. They did recommend that with bursitis and tendonitis in the left hip area, I should avoid sitting on small or hard chairs.

Regulating water quality: A farmer's perspective

By Will Erwin

HOW does the Environmental Protection Agency look at sodbuster, swampbuster, compliance, and the Conservation Reserve Program? I think the answer is that EPA looks enthusiastically at these programs. Agriculture, according to EPA, is the primary polluter of 64 percent of the nation's rivers and 57 percent of the nation's lakes. In general, in the sessions that I've had at EPA, there has been a great deal of enthusiasm about the way the U.S. Department of Agriculture has dealt with the swampbuster, sodbuster, and compliance provisions. While EPA has had a number of rather minor comments on these programs, the general attitude of EPA is "well done."

The CRP has not been targeted toward improving water quality to the degree that most people in EPA would like to see. As water quality is targeted into the program, an enthusiastic EPA will be a much more enthusiastic EPA.

There are some things that deserve a look in the context of the CRP. EPA has initiated a groundwater survey and will have health advisors in place before the groundwater survey data is forthcoming. If the groundwater survey data indicate that pesticide levels in groundwater are above the health advisories, then the agency may face a major period of confrontation and compaction of action. And if that occurs, EPA already has discussed with USDA whether the CRP could be expanded to nonerodible acres, for example, on highly porous soils over very fragile aquifers. USDA has indicated a willingness to be responsive.

The crossroads

"American Agriculture at the Crossroads" is an appropriate phrase. At a crossroads, one either goes straight ahead, takes a right-angle turn to the right or left, or turns around and goes backward. In relation to

Will Erwin, a farmer, is also a special advisor to the administrator of the U.S. Environmental Protection Agency, 2595 148 Road, Bourbon, Indiana 40304. This article is based on his presentation at the "American Agriculture at the Crossroads" conference. It does not reflect the views of EPA.

the conservation provisions, nobody wants to go backward. And it's rather clear that few are going to go straight ahead. That leaves two options: turn to the right or left. Many people simply want to take money away from farm programs, eliminating those in the future. Some people would call that a turn to the right.

On the other hand, I have heard Soil Conservation Service employees referred to as enforcers. That's a major change. SCS has always been the group giving farmers technical advice and counsel, but not forcing them to do anything. If SCS is to become an enforcement arm of the government, some people would call that a turn to the left. And this may even apply to Extension, which has always been fuzzy about being an educator and not pressuring farmers to adopt certain practices.

When I re-certified this year as a certified pesticide applicator, I had to pass the test. The last time, I just took the test; I didn't have to pass! Are Extension agents now enforcers also?

So where do natural resource managers stand? They have come to the crossroad, and they must take a sharp turn to the right or a sharp turn to the left. They cannot do both comfortably at once. And while this is a very exciting time—change always is—it is also a very uncomfortable time, particularly if the national policy is to increase the number of enforcers in government.

Coping with regulations

I am among the people who think the survival of the family farm is important. The family farm is basic; it is fundamental. But survival in this current wave of economic stress is going to be followed by a second survival wave: Can individual farmers cope with all of the governmental regulations that will be thrust upon them?

Not long ago, I chatted with a state commissioner of agriculture and asked, "How many farmers do you know who have quit because they couldn't put up with all the regulations from EPA and everybody else?" He said that he could not think of any, but he said I asked the wrong question.

"What's the right question?" I asked.

He asked how many bright, young people I knew who had thought about going into farming, looked at the millions of regulations they were going to deal with and said, "No, I'd rather go work for some big organization where somebody else takes care of that." He said he could name a good many.

So it's pretty clear that government regulation is going to be troublesome for agriculture. SCS field personnel were the fellows I always felt good about when they came to the farm to point out something I could do a little better and leave the farm better. Now, is that person coming as an enforcer? I plead with policymakers and field workers in SCS: Don't lose that good-neighbor attitude. If you have to enforce, hang on to this element that's been creative for so long and retain it as a point of emphasis.

Farming in perspective

As the difficult times continue, resource managers must think about how they are going to cope with changes ahead. It is important for them to look at their overall strategic position.

Unfortunately, some people in the agricultural community think they remain "king of the jungle." For years, they have been part of the powerful agricultural establishment. But when they look at society today and ask what the body politic thinks as it looks at the world, perspective changes.

People the world around care about the earth, and they feel an obligation to protect it for themselves and for their children, grandchildren, and posterity. They look at agriculture as just a portion of this huge environment in which everybody lives and which everybody wants to protect. When farmers are but two percent of the population, they constitute a very small minority.

Farmers must remember that if they let environmental extremists and agricultural extremists polarize them into a fight, farmers will lose. They do not have the horses. They are a minority. They must think like a minority. But if that minority of farmers—with the help of all people concerned about natural resources—can show that farmers are the most effective custodians of the earth's surface, then everybody wins.

To continue to function in good conscience and in keeping with traditional values is important. But unless farmers understand and respect where the urban majority is coming from, being right or wrong won't matter; their position will be irrelevant. Sodbuster, swampbuster, compliance and the CRP are right, and they are relevant. □

We need the environmentalists

By WILL ERWIN, Indiana farmer

I flinch every time I hear a farm speaker take a swat at "environmentalists." It's not because I don't know where he's coming from. I just hate to see anyone eat the seed potatoes!

"The farm vote" used to be a major force in American politics, but those days are long gone. We farmers are in trouble, and we are only 2 1/4% of the population. So we need all the friends we can make—for many reasons.

I'm particularly embarrassed when I hear a farmer or agribusinessman jab environmentalists. That movement really began in the 1930s with farmer interest in conservation. Certainly some environmentalists have taken stands that farmers oppose, but most of them want from our environment exactly what we want—a higher quality of life. They are our natural allies.

I am heartened by the way more and more farmers are recognizing the need for this alliance. For example, leaders of the citrus industry did a superb job of handling the EDB (ethylene dibromide) problem last year. They quickly saw the risk of losing their export market to Japan if they could not meet the Japanese import requirements. They did their homework, were willing to understand the whole situation, presented their problem to the EPA in a reasonable way, and then worked until a solution was reached. Too often we have lost out of ignorance. We could have enlisted the help of environmentalists in many of these situations if we had taken the time to inform them.

We need each other; that's the biggest reason for working with environmentalists. We need them because, standing alone, we have little political clout. And environmentalists need farmers because we are the principal custodians of the earth's surface.

Just think of the many goals we have in common: environmentalists want to control pollution of water from non-point sources. These sources include run off carrying topsoil and sometimes fertilizer and chemicals, none of which farmers can afford to lose.

WILL ERWIN, Marshall County, Ind., and author of this article, is a farmer who knows how things get done in Washington, D.C. During the Ford Administration, he served as Assistant Secretary of Agriculture. Since late 1983, he has been serving as agricultural consultant to the EPA.

C-4

They want to control the use of unsafe chemicals. So do farmers. If a chemical does leach into the underground water supply, it is the farmer's well that is closest.

Environmentalists want clean air. So do farmers when dust-related diseases of the lungs are twice as high in rural America as they are in the cities.

Some environmentalists say that if you cut back on farm chemicals, you will increase farm income. A typical farmer answers that if we did hold back on fertilizer and chemicals, yields would drop and food would cost more. Yet we turn right around and ask the government to pay us to take land out of production to raise farm prices for that very purpose. Is it any wonder that we fail to understand each other?

We have held our own as well as we have only through the skill and experience of our agricultural leaders and alert Washington staffs of farm organizations. Now we must work with a nonfarm majority. I see four approaches we need to pursue:

1. We need to recognize change and accept it. We are part of an evolving process as the information explosion impacts on nature, science and mankind. I hear farmers complain that: "EPA says something is safe one year and takes it away the next." Well, that's true because it's EPA's job to keep testing. New information often requires new actions.

For example, chemicals that scien-

tists formerly thought would break down in nature are now showing up in ground water. Based on my recent experience, I can predict that we will be losing more of our trusted insecticides and weed killers. It will take the best in all of us to adjust to these changes.

2. Let's work harder at telling non-farm people what we are and want.

Not long ago, I asked some business executives what percent of America's farms are owned by big corporations. Their answers ranged from 50% to 75%. Another misconception is that farmers make more money but are less educated than other people. The facts are that non-farm corporations represent less than 1% of all farms. Family farmers are better educated than the average, but with incomes below non-farm incomes.

3. We must help people understand risk and how to reduce risk. Everything worthwhile has some risk in it, but people think food and water should be risk-free. They never have been, but they are much safer than they used to be and will get better yet.

4. Let's identify and work toward common goals. The environmentalists' goals of preserving and enhancing the land, water and aesthetics of the countryside are very similar to farmers' goals.

Everyone wants safe and abundant food—and a clean, safe environment as well. Working together we can get more for everyone.



FARM JOURNAL, APRIL 1985

FINANCIAL DATA AND CONFLICT OF INTEREST (PUBLIC)

1. Have you severed all connections with your immediate past private sector employers, business firms, associations, and/or organizations?

No. It is my understanding that this position required that I continue to be an active farmer and that my service on the local bank board would continue to provide useful background.

2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, incompleting contracts and other future benefits which you expect to derive from previous business relationships, professional services, firm memberships, former employers, clients, or customers.

Since I would continue my current employment, I would expect the normal incomes therefrom.

3. Do you, or does any partnership or closely held corporation in which you have an interest, own or operate a farm or ranch? (If yes, please give a brief description including location, size and type of operation.)

Yes. My wife and I own three hundred forty-three (343) acres in Marshall County, Indiana, near the town of Bourbon. We are stockholders in Triple "E" Farm, Inc., which owns two thousand one hundred sixty-eight (2,168) acres of farm land in Marshall and Kosciusko counties.

We produce corn, soybeans, hogs, hay, and sometimes cattle. We have two full time employees who participate in a system designed to help them get started farming on their own.

I also am one-third owner and principle manager of the partnership, Earl & Erwin, which leases and operates approximately 1600 acres of the farmland owned by Triple "E" Farm, Inc.

4. Have you, or any partnership or closely held corporation in which you have an interest, ever participated in Federal commodity price support programs? (If yes, provide all details including amounts of direct government payments and loans received or forfeited by crop and farm, etc. during the past five years.)

Yes. See attached statement from the county ASCS office.

5. Have you, or any partnership or closely held corporation in which you have an interest, ever received a direct or guaranteed loan from or cosigned a note to the Farmers Home Administration? (If yes, give details of any such loan activity during the past five years.)

No.

6. Have you, or any partnership or closely held corporation in which you have an interest, ever received payments for crop losses from the Federal Crop Insurance program? (If yes, give details.)

Yes. On December 30, 1985, \$10,684.00 through the Farm Bureau Insurance Company for drouth losses. On January 14, 1987, \$6524.00 through the Farm Bureau Insurance Company from flood and frost.

NOTE: Re: Attached ASCS Statements of Loans and Payments

Payments from 1982 through 1986 were made to Triple "E" Farm Inc. Starting in 1987 Triple "E" Farm Inc. cash rented its land and as a result received no farm payments or loans. For the years 1987 and 1988, the information reflected on the attached statements reflects loans and payments based on my ownership interest in Earl and Erwin. The land owned individually by my wife and myself is not entered into the farm program under my name; it is cash rented.

Payments made for participation in farm programs, for crop years 1982 thru 1988-furnished by
Marshall County ASCS Office
315 E. Jefferson Street
Plymouth, In. 46563
May 9, 1988

Crop year 1982 - payments made - none

Crop year 1983 - payment made under farm #G 482, maximum permitted corn acreage was 924.2 acres

Check #50461178	-	\$28,219.10
Check #60024657	-	14,699.70

Producer refunded \$14,900.30 on 1-3-85

Crop year 1984 - payment made under farm #G 482, maximum permitted corn acreage was 1663.7 acres

Check #71338564	-	\$50,000.00
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Crop year 1985 - payment made under farm #G 504, maximum permitted corn acreage was 1663.7 acres, also participated in wheat diversion program

Check #11157661 (wheat)	-	\$ 164.43
Check #16522494 (wheat)	-	164.43
Check #11157661 (corn)	-	38,537.13
Check #14196054 (corn)	-	6,896.45
Check #72726965 (corn)	-	1,237.56

Crop year 1986 - payment made under farm #G 515, maximum permitted corn acreage was 1469.8 acres, Triple E's share was .7288 of total

Check #43007234	-	\$20,502.65
Check #87624313	-	35,267.21
CCC-6 #02107545	-	17,400.76
CCC-6 #20973961	-	13,583.17
CCC-6 #33868453	-	10,000.00
CCC-6 #33868454	-	10,000.00
CCC-6 #33868455	-	1,423.89

Crop year 1987 - payment made under farm \$2620. maximum permitted corn acreage was 1469.8 acres of which Earl & Erwin Partnership receive .7202 share (William Erwin receives 1/3 share in the partnership)

Check #43004735	-	\$ 9,783.21	(W Erwin's 1/3 share)			
CCC-6 #20975316	-	10,234.29	*	*	*	
CCC-6 #47012118	-	10,000.00	*	*	*	
CCC-6 #47012119	-	566.01	*	*	*	

(Balance, if any, to be paid after 9-30-88)

Crop year 1988 - payment made under farm \$2620. maximum permitted corn acreage is 1469.8 acres of which Earl and Erwin Partnership is to receive .7202

Check #45563138 - \$8,715.00 (W Erwin's 1/3 share)

(Balance, if any, will be paid over period of time ending 9-30-89)

BEST AVAILABLE COPY

Submitted by Marshall County ASCS Office
315 E Jefferson ST., Office A
Plymouth, IN 46563

5-9-88

87 Loans Disbursed for William Erwin

Ln No.	Type	Comm.	Date	Bushels	Dollars Disb.	\$ to W. Erwin
115	Farm Corn		10-20-87	18.000	\$33,480.00	
	Redeem With Certs		10-20-87	18.000	33,480.00	\$11,155.55
116	Farm Corn		10-20-87	10.629	\$19,769.94	
	Redeem with Certs		01-04-88	1.307	2,431.02	\$ 6,585.99
	Redeem with Certs		02-17-88	7.852	14,604.72	
	Redeem with Certs		02-22-88	1.470	2,734.20	
	Balance Remaining			0	0	
276	Farm Corn		11-04-87	85.901	\$122,575.86	
	Redeem with Certs		11-05-87	19.128	35,578.08	\$40,850.53
	Redeem with Certs		01-04-88	4.909	9,130.74	
	Redeem with Certs		01-19-88	20.001	37,201.86	
	Redeem with Certs		02-17-88	178	331.08	
	Redeem with Certs		03-28-88	17.941	33,370.26	
	Balance Remaining			3.744	\$ 6,963.84	
90014	Farm Corn		09-18-87	17.735	\$32,987.10	
	Redeem with Certs		09-18-87	3.800	7,068.10	\$10,991.27
	Redeem with Certs		10-01-87	13.935	25,919.00	
	Balance Remaining			0	0	
90083	Farm Corn		09-30-87	32.613	\$60,660.18	
	Redeem with Certs		10-01-87	27.288	50,755.68	\$10,216.73
	Redeem with Certs		10-20-87	5.325	9,904.50	
	Balance Remaining			0	0	

1986 Corn Loans Disbursed to Triple E Farm, Inc.

162	Farm Corn		12-30-86	64.024	\$118,865.68	
	Redeem with Certs		03-19-87	2.500	4,641.45	
	Balance Remaining			61.524	\$114,224.22	Extended to 8-31-88
232	Farm Corn		12-31-86	10.800	\$20,051.06	
	Redeem with Certs		03-19-87	5.000	9,282.90	
	Balance Remaining			5.800	\$10,765.16	Extended to 9-30-88
457	Farm Corn		01-21-87	11.518	\$21,384.09	
	Redeem with Certs		03-19-87	5.124	9,513.12	
	Redeem with Certs		07-14-87	6.394	11,870.97	
	Balance Remaining			0	0	
399	Farm Corn		12-30-86	12.119	\$22,499.89	

Redeem with Certs	12-30-86	12.119	\$220499.89
Balance Remaining		0	0

312	Whse Corn	12-30-86	718.86	\$1,331.03
Loan Forfeited at Maturity for settlement.				

1	Farm Corn	04-21-86	20.000	\$51,600.00
Redeem with Certs	09-11-86	13.083	33,754.14	
Balance Remaining		6.917	\$17,845.86	

120	Farm Corn	11-14-85	11.250	\$29,025.00
Loan Entered the 3 year Reserve Program Matures 8-31-89				

116	Farm Corn	12-12-85	57.541	\$148,455.78
Loan Entered the 3 Year Reserve Program Matures 8-31-89				

26	Farm Soya	10-22-85	5.850	\$29,601.00
Loan was delivered to Decatur Elev. in Michigan. Triple E was paid \$4076.23 as settlement				

141	Farm Soya	11-14-85	5.580	\$29,601.00
Loan was delivered to Indiana Grain. Logansport, Triple E was paid \$3915.23 as settlement.				

99	Whse Soya	11-14-85	21,475.04	\$54,868.70
Loan was forfeited for Settlement.				

102	Whse Corn	11-15-85	19,551.36	\$50,344.75
Loan was forfeited at maturity for settlement.				

1984 Loans Disbursed to Triple E Farm Inc.

13	Whse Corn	01-11-85	10,945.00	\$55,217.52
Loan was forfeited at Maturity for Settlement.				

174	Farm Soya	01-03-85	4,050	\$20,452.50
Loan was transferred to a warehouse loan with the following additional bushels and dollars added to the loan.				

22	Whse Soya	08-19-85	900	\$ 4,514.25
Loan was forfeited at Maturity for Settlement.				

175	Farm Corn	01-03-85	110,700	\$285,606.00
07-03-85 450 bushels repaid \$54.69 Int. \$1161.00 Principal				
05-28-85 2250 bushels repaid \$222.10 Int. \$5805.00 Principal				
05-13-85 22621 bushels repaid \$1974.72 Int. \$58362.18 Principal				
04-09-85 13984 bushels repaid \$901.47 Int. \$36078.72 Principal				

3547.85 bushels transferred to warehouse loan no 80 07-24-85

Redeem with certs 02-17-88
Balance remaining 0

11568.00 bushels transferred to warehouse loan no 81 08-17-85
Redeem with certs 02-24-88
Balance remaining 0

17577.71 bushels transferred to warehouse loan no 82 08-23-85
Redeem with certs 02-24-88
Balance remaining 0

38703.00 bushels transferred to warehouse loan no 83 09-09-85
Additional disbursement was made of \$13,932.48
Redeem with certs 02-17-88 9607.35 Bu. \$21,714.91
Redeem with certs 02-24-88 34650.00 bu. \$92,247.76
Balance Remaining 0

No Loans were disbursed for the crop year 1983

1982 Corn Loan Disbursed to Triple E Farm Inc.

84 Farm Corn 11-05-82 117,659 \$348,270.64

Redeem for PIK 47,212 \$139,747.52

Delivered 17,600 bushels 6-22-83 \$52096.00

Repaid 10,000 bushels on 6-29-84 \$29600.00

Balance remaining under loan of 42,847 \$126,827.12
was placed in the 3 year grain reserve program and the loan
was transferred to a warehouse loan and forfeited to CCC on

22 Farm Corn 11-18-82 15,419 \$164,129.04

Loan was put in the 3 year grain reserve program

36,481 bushels was transferred to warehouse loan and the loan
was forfeited to CCC on 11-30-86.

The balance of 18,968 \$56145.28 remains in the grain reserve program

7. If confirmed, do you have any plans, commitments, or agreements to pursue outside employment or engage in any business or vocation, with or without compensation, during your service with the government? (If so, explain.)

Yes. I propose to continue my farming business, to continue as a trustee of the Farm Foundation, and, if appropriate, continue on the Board of Directors of FNBancorp and the First National Bank of Warsaw. I discussed this with David Leferink, National Bank examiner, and he saw no problem from their point of view.

8. Do you have any plans to resume employment, affiliation, or practice with your previous employers, business firms, associations, or organizations after completing government service? (If yes, give details.)

No. I don't intend to discontinue my farming activities. If any resignations are required, they will be done with no plan of re-employment.

9. Has anyone made a commitment to employ you or retain your services in any capacity after you leave government service? (If yes, please specify.)

No.

10. Identify all investments, obligations, liabilities, or other relationships which involve potential conflicts of interest in the position to which you have been nominated.

Triple "E" Farm, Inc. owes the Federal Land Bank on three long term mortgages which are all current, with substantial payments under "funds held". If, since I could derive benefit from decisions made on behalf of the Farm Credit System, these obligations would be considered in conflict of interest, they could be readily refinanced elsewhere.

My younger son has an obligation with the Farm Credit System that I understand he is currently negotiating with them. I have no financial interest or business connection with his business whatsoever. He is thirty-three years old, married with two children, living several miles away.

11. If confirmed, explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items.

If it is determined that my obligations to the Farm Credit System are in conflict of interest, I will refinance them elsewhere. Since my son is an adult and totally financially independent, I do not believe that this constitutes any conflict of interest. In the event anything directly involving his case should be forthcoming, I would, of necessity, recuse myself.

Questions for William W. Erwin submitted by Senator Harkin before the Senate Committee on Agriculture, Nutrition and Forestry. (June 7, 1988)

1. The Omaha Federal Land Bank has failed to apply for certification to issue preferred stock, even though the value of its stock has declined to well below seventy-five percent of its face value. However, the Agricultural Credit Act of 1987 clearly requires that a request for certification be submitted in such circumstances.

- A. In general, what role should the Assistance Board play in the enforcement of the provisions of the Act?
- B. Please tell the Committee what actions you would take as a member of the Assistance Board to ensure compliance with the provisions of the Act.
- C. What approach would you take in dealing with institutions, such as the Omaha Land Bank, that have failed to apply for certification as required by the Act?

2. As you know, the Jackson Land Bank was recently put into receivership and is now being liquidated. The financial condition of other institutions is grave.

- A. In general, how should the Assistance Board use its authority to preserve the Farm Credit System as a healthy available source of agricultural credit?
- B. What relative importance do you attach to preserving individual Farm Credit institutions in connection with maintaining the Farm Credit System?
- C. What do you see as the primary goal of the Assistance Board with respect to ailing individual Farm Credit System institutions?
- D. What should the Assistance Board do to prevent further liquidation of Farm Credit System institutions?
- E. What position should the Assistance Board take with respect to possible mergers of Farm Credit System districts?

RESPONSE TO QUESTIONS SUBMITTED BY SENATOR HARKIN

Since my name has been forwarded for nomination to the Assistance Board, I have made a point of not meeting with interested persons or organizations, and have not had access to any confidential information made available to the Board. Thus these answers must of necessity be philosophical in nature. If confirmed, I will get specific information as rapidly as possible.

1. A. The Assistance Board should use its authority and resources to vigorously and promptly enforce the law.
 B. As a matter of policy I have as yet had no contact with the Assistance Board other than one brief courtesy call from Mr. Thor. If confirmed, I will confer with counsel and the Board urging prompt action.
 C. My philosophical approach is get the facts and get moving. When a law is not being complied with the situation must be corrected as soon as possible. In general, I believe that delay often compounds a problem.
2. A. By moving promptly with assistance and using its authority to bring about necessary changes with the least possible disruption.
 B. Where feasible individual farm credit institutions should be maintained. However, prompt and full service to farmers on a continuing basis is of paramount importance. In order to achieve this some mergers will probably be necessary.
 C. To help them get healthy as soon as possible. The Board is responsible to use its resources and authority to evaluate these institutions, identify problems, and work to bring about changes as needed to accomplish that end. Intuitively, I believe promptness of action may be one of the most important elements.
 D. I think prompt action is of utmost importance. Unnecessary delay not only compounds the problems of the institution but it can also cause real hardship for borrowers.
 E. Service is generally more effective when delivered by more locally controlled institutions. However, the situation may be severe enough that merger may be the most viable option in some cases. Merger of District Banks does not necessarily mean discontinuance of local services. All organizations must continue to modernize if they are to serve effectively and this requires an open minded look at structural change.

1616 H Street, N.W. • Washington, D.C. 20006 • (202) 628-1566

James B. Grant, *Executive Secretary*
Robert Amato, *Assistant Executive Secretary*
Gordon C. Miller, *Administrative Assistant*

May 31, 1988

Honorable Patrick Leahy
Chairman
Committee on Agriculture, Nutrition
and Forestry
U.S. Senate
Washington, D.C. 20510

Dear Mr. Chairman:

I understand that you will soon hold a confirmation hearing for Mr. Will Erwin to be a member of the Farm Credit System Assistance Board. I have known and worked closely with Mr. Erwin since the early 1970s, and I would highly recommend his confirmation to this important position in the Farm Credit System.

Mr. Erwin brings with him a high degree of integrity, competence, knowledge and ability to this position. He is an outstanding individual who has contributed much to American agriculture through the years.

As a farmer, Mr. Erwin understands the need for a viable farm credit system. As an administrator, he will bring an enormous amount of management knowledge to the position. As a person whose ethics are of the very highest quality, he will bring great integrity to the system.

I consider this to be one of the highest positions in the farm credit system serving alongside the Secretary of Agriculture and the Secretary of the Treasury. I know that Mr. Erwin will not only fulfill the qualifications for the job, but will continue to contribute to American agriculture through this important position.

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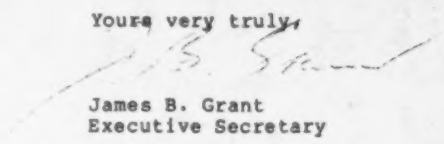
D. Leslie Tindal
Southern Region
South Carolina

Tiny Shields
Western Region
Arizona
Ronald A. Allbee
Northeastern Region
Vermont

I respectfully urge his early confirmation, and request that this letter be made a part of the official hearing record.

Warm personal regards.

Yours very truly,


James B. Grant
Executive Secretary

JBG/wg

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